



HF 250 – Age- and Income-Based Property Tax Cap (LSB2090YH)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 250 places a cap on the amount of property taxes owed on a homestead property when the owner is age 65 or over and has household income of less than \$30,000. The cap is achieved in two ways:

- The assessed value of a qualified homestead cannot increase above the assessed value established in the base year.
- The total taxes owed on a qualified property cannot increase above the taxes owed on that same property in the base year.

The Bill is retroactive to assessment year 2017 (FY 2019).

Background

Household income means all income of the claimant and the claimant's spouse and actual monetary contributions received from any other person living with the claimant during the claimant's respective 12-month income tax accounting periods ending with or during the base year.

Income means Iowa net income as defined in Iowa Code section [422.7](#), plus all of the following to the extent not already included in Iowa net income:

- Capital gains;
- Alimony;
- Child support money;
- Cash public assistance and relief, except property tax relief granted under Iowa Code chapter [425](#), division II;
- In-kind assistance for housing expenses;
- The gross amount of any pension or annuity, including but not limited to railroad retirement benefits;
- Payments received under the federal Social Security Act, except child insurance benefits received by a member of the claimant's household;
- All military retirement and veterans' disability pensions;
- Interest received from the State or federal government or any of its instrumentalities; and
- Workers' compensation and the gross amount of disability income or "loss of time" insurance.

Income does not include gifts from nongovernmental sources, or surplus foods or other relief in kind supplied by a governmental agency. In determining income, net operating losses and net capital losses shall not be considered.

Assumptions

- The property tax changes are limited to properties qualifying as homesteads under Iowa Code section [425.17](#). While properties that are not classified as residential properties can

qualify as homesteads, this projection assumes all qualifying properties are classified as residential property.

- Using data from the U.S. Census Bureau 2015 American Community Survey, the Department of Revenue estimates that 130,105 Iowa homes are owned by Iowa residents age 65 and over with annual household incomes below \$30,000 and the average assessed value of the homes is \$126,721.
- The average statewide residential property tax rate for FY 2017 equals \$34.8084 per thousand dollars of assessed value and that rate is assumed to stay constant in the future.
- The basic levy for school finance equals \$5.40 per thousand dollars of taxable value. This \$5.40 levy is a component of the statewide average \$34.8084 rate. Law changes that lower the statewide total value of property subject to property tax automatically increase the State General Fund appropriation by \$5.40 per thousand dollars of reduced taxed value.
- The residential rollback equals 56.9139% for assessment year 2016 (FY 2018) and is assumed to stay constant in the future.
- Due to Iowa's aging population, the number of qualifying homes is projected to increase 876 homes each year (about 0.7% per year).
- The annual revaluation growth rate for residential property is projected to equal the statewide average residential revaluation growth rate for the previous 12 assessment years (1.8190%).

Fiscal Impact

The property tax changes contained in the Bill will reduce property taxes owed on qualified homestead properties. The tax reduction is projected to be \$5.7 million for FY 2019, growing to \$23.5 million for FY 2022. The tax reduction will continue to grow by about \$6.0 million per year for the foreseeable future.

This property tax reduction has two tax revenue implications for State and local government, as shown in the table below. First, through action of the school aid formula, the reduced property value subject to property tax will result in additional school aid expenditures from the State General Fund (right column). Second, local governments (cities, counties, school districts, etc.) will experience reduced levels of income as the result of property tax payment reductions (middle column).

Property Tax Cap Based on Income and Age				
In Millions				
Assessment Year	Fiscal Year	Change in Property Taxes Owed	Change in Local Government Revenue	State School Aid Appropriation Change
AY 2015	FY 2017	\$ 0.0	\$ 0.0	\$ 0.0
AY 2016	FY 2018	0.0	0.0	0.0
AY 2017	FY 2019	-5.7	-4.8	0.9
AY 2018	FY 2020	-11.5	-9.7	1.9
AY 2019	FY 2021	-17.5	-14.6	2.8
AY 2020	FY 2022	-23.5	-19.7	3.8

The Bill requires the processing of applications from over 250,000 property tax payers. This will result in additional administrative expenditures for counties and the Iowa Department of Revenue.

Sources

U.S. Census 2015 American Community Survey
Iowa Department of Revenue
Legislative Services Agency analysis

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
